

AN ASSESSMENT OF SELECTED BUSINESS UNITS WITHIN COLUMBIA STATE HISTORIC PARK

Presented to:

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EXECUTIVE SUMMARY

INTRODUCTION

In January 2008, the California Department of Parks and Recreation (DPR) retained California State University, Sacramento (CSUS) to conduct an economic study to assess the potential revenues and profitability of selected business units within the Columbia State Historic Park (Park). The project included researching, investigating, and evaluating the economic viability of the City and Fallon Hotel concession complex located in Columbia State Historic Park.

The Scope of Work included:

- Inspecting the location; proposed concession sites; and surrounding park environment.
- Consulting with DPR Park staff with regard to project concept, scope, interpretive goals, cultural resource considerations, etc.
- Assess existing market conditions and potential demand.
- Reviewing profit and loss data for appropriate Columbia SHP concession and house rental operations.
- Reviewing industry statistics relating to comparable concession activities.
- Preparing a Summary Report to include the:
 - Economic viability of the City/Fallon Hotel concession package as currently constituted.
 - Potential need and practicality for inclusion of additional profit centers to create a viable concession opportunity for public bidding under a 5-year to 20-year contract term, including recommendations for an appropriate mix of profit centers.

CONCLUSIONS AND RECOMMENDATIONS

Based on the finding of the analyses, the following are conclusions and recommendations pertaining to the business units within the Park:

- The population of Tuolumne County in 2007 was 57,223 and is growing at a rate of about 0.5% per year, and the six adjacent counties (i.e., Alpine, Calaveras, Mariposa, Merced, Mono, and Stanislaus) are growing at a combined rate of 2.0% annually. This suggests that while Tuolumne County is growing, it is not experiencing as rapid a growth as its neighboring counties. However, the other counties do provide a significant feeder market to the Park since their combined population in 2007 was 852,535. In total, there were about 909,758 people residing in the seven counties. This is a substantial number from which to draw “locals” for hotel, dining, and shopping and to serve as a “referral market” for their out-of-town guests.

One of the more significant characteristics of Tuolumne County is that 91.7% of the residents live in the unincorporated areas. While this indicates that population density is quite low, it also implies that residents are not necessarily tied to shopping directly within their residential areas since they do not live in established communities. This means that the Park could capture some of the retail trade of the residents of the County.

- 2007 per capita income in Tuolumne County was \$31,968, and was growing at a rate of 5.1% per year. The only other neighboring counties with faster growth rates in per capita income were Alpine (5.5%) and Mono (9.6%), both of which have very small population bases. This suggests that incomes within the County could support retail activity.
- Retail activity in Tuolumne County is growing. Retail sales per person averaged \$8,704 and were growing at the rate of 2.0% per year. Only Mono and Stanislaus counties had higher retail sales per person. Furthermore, the average retail outlet in Tuolumne County generated \$539,599 in revenue in 2007. Only Merced, Mono, and Stanislaus counties had higher sales per outlet than Tuolumne. Retail sales in Tuolumne County were growing at the rate of 2.9% per year. This indicates that the retail sector in the county was reasonably healthy in 2007 and had been exhibiting significant growth over the past few years.
- Lodging in Tuolumne and neighboring counties is reasonably competitive. There are an abundance of hotels and motels in the surrounding area. Furthermore, the posted room rates range from \$65.00 to \$300.00 per night. The average room rate of the sample taken was \$112.00, but this could be on the high side as various discounts typically are available. In comparison, the posted rates for the City Hotel are \$125.00 to \$145.00, and \$90.00 to \$145.00 for the Fallon Hotel. The implication is that room prices being charged by the City Hotel and Fallon Hotel tend to be towards the higher end of the spectrum.

- Nearly all of the business units for which financial data was available have experienced difficulties in generating revenues and profits. Although the amount of data available was quite limited, it appears in general that while revenues have declined, costs of operations have either grown or not declined in proportion to the declines in revenues. This suggests that there is room for improvement and that combining business unit operations may offer opportunities to achieve some economies of scale that could provide better controls over costs.
- Occupancy rates at the City Hotel averaged 52.3% in 2005 and the Fallon Hotel averaged 26.7%. It appears that there could be some price sensitivity since the percentage average revenue per room declined less than the percentage increase in occupancy. The fact that occupancy rates and room rates are moving in opposite direction imply that reductions in room rates might provide opportunities to increase occupancy rates and total revenues. Furthermore, there appears to be some, although perhaps minor, relationship between hotel occupancy rates and sales in restaurants and drinking establishments.

As previously indicated, room rates at both the City Hotel and Fallon Hotel appear to be towards the higher end of the spectrum. Given that neither offers rooms with private baths, this suggests that the rates may be viewed as high. Furthermore, there is relatively little difference in the average rates charged by the two hotels. More separation might provide better choices for future guests, and especially if the Fallon Hotel moves to a lower price point because it has more rooms available and a relatively low occupancy rate.

If the cottages are added into the inventory of rooms available through either the City Hotel or Fallon Hotel, the entire “package” of lodging could be enhanced. The cottages would be more attractive to families and those who want to stay for “special occasions.” Since a central reservation system could be used to book the rooms and the hotel staff could maintain the cottages, the operating costs should be relatively low for these additional units.

- The City Hotel restaurant experienced a slight growth in lunch revenue and a decline in dinner revenue. When compared to 2004, the number of lunches served declined while the average ticket price rose. This was also the case for dinners. With an average lunch price in 2005 of \$23.15, and an average dinner price of \$45.90, this suggests that the restaurant is not especially targeted to families. Some opportunities might present themselves if the two restaurants in the Park (i.e., City Hotel restaurant and Columbia House) were combined so that they could gain some economies of scale in purchasing as well as provide more variation in price points for food and beverages to cater to different potential customers.
- The number of visitors to the Park experienced a significant decline from 2004 through 2006, and then grew significantly in 2007. With an average growth rate

of 1.7% per year, and their being 614,232 in 2007, this indicates that the Park has substantial drawing power. However, according to the DPR, about 45% of these visitors are school children, which are not major purchasers of goods and services.

- Many of the capital improvements needed in the business units studied represent relatively minor levels of expenditures. However, the City Hotel and the Columbia House restaurant need substantial upgrades, but could be supported by the increases in visitors.

Based on the projections, the capital improvement costs for the City Hotel would be recovered in 2016, which is a relatively long payback period. However, with the combination of the City Hotel, Fallon Hotel, City Hotel Restaurant, What Cheer Saloon, Ice Cream Parlor, and Fallon Theatre, the capital investment in the City Hotel (\$285,000), Fallon Hotel (\$10,000), and Fallon Theatre (\$20,000) would be recovered relatively early within the third year (2012). Furthermore, based on these projections the capital improvements for the Columbia House Restaurant (\$50,000) could be recovered within the first year.

The most significant capital expenditures would be to make the cottages operational. The DPR estimates the cost to completely renovate individual cottages range from \$494,400 (Residence #8) to nearly \$1.4 million (Residence #13). The DPR estimates that an expenditure of 50% of the renovation costs could make the cottages usable. In either case, these represent very large capital expenditures and the payback period is quite lengthy.

- Projections also were made using visitor data and industry averages. These projections represent more optimum levels of business activity. Revenues and profits before officer salary but including rent to the State were projected for each business unit and each cottage. While individual business unit revenue streams vary in size, when they are combined in some fashion, the totals are quite significant.

This is in sharp contract to the projections based on historical trends and suggests that consolidating some of the business units under one concession contract may create a more attractive package and allow the concessionaire to both generate substantial revenues and profits but also create more stability of the operations.

The projected revenues by business unit are shown below. Over the ten year periods, substantial revenues could be generated and could be even higher if there are consolidations which provide more options and packages for visitors to the Park.

Business Unit	2009-2018 Revenues	2019-2028 Revenues
Lodging and Food/Beverage		
City Hotel	\$2,172,193	\$3,358,575
Fallon Hotel	\$1,453,813	\$2,247,840
City Hotel Restaurant	\$4,587,620	\$7,315,259
What Cheer Saloon	\$1,881,126	\$2,908,537
Ice Cream Parlor	\$1,760,883	\$2,722,616
Fallon Theatre	\$102,819	\$158,972
Columbia House Restaurant	\$3,346,310	\$5,335,909
Jack Douglass Saloon	\$3,307,143	\$5,113,395
Total	\$18,611,907	\$29,161,103
Retail		
Columbia Mercantile	\$6,543,854	\$10,117,889
Newby's Barber Shop	\$3,329,980	\$8,355,565
Justice: Gift Shop	\$1,738,754	\$2,476,484
Butcher: Jewelry	\$1,654,858	\$2,118,358
Total	\$13,267,446	\$23,068,296
Total	\$31,879,353	\$52,229,399

The projected profits by business unit are shown below. Over the ten year periods, substantial profits could be obtained and could be even higher if there are consolidations of some costs and economies attained by merging operations.

Business Unit	2009-2018 Profits	2019-2028 Profits
Lodging and Food/Beverage		
City Hotel	\$339,006	\$551,467
Fallon Hotel	\$210,355	\$352,554
City Hotel Restaurant	\$389,283	\$650,464
What Cheer Saloon	\$131,929	\$231,291
Ice Cream Parlor	\$162,244	\$278,166
Fallon Theatre	\$17,652	\$54,600
Columbia House Restaurant	\$903,125	\$1,440,092
Jack Douglass Saloon	\$475,854	\$727,409
Total	\$2,629,448	\$4,286,043
Retail		
Columbia Mercantile	\$432,920	\$669,368
Newby's Barber Shop	\$1,405,933	\$3,527,757
Justice: Gift Shop	\$64,036	\$91,205
Butcher: Jewelry	\$92,492	\$118,397
Total	\$1,995,381	\$4,406,727
Total	\$4,624,829	\$8,692,770

Based on the analyses and these conclusions, some recommendations are to:

- Based on the historical financial data available, most of the business units will experience significant losses over the next ten and twenty year periods if current trends continue. This suggests that some changes need to be made in the manner in which the business units are organized, managed, and marketed.
- Considerable potential exists for the business units if they are marketed aggressively to potential target audiences. In particular, consideration needs to be given to attracting residents of Tuolumne and neighboring counties to use the facilities in the Park. This could help to generate business activity during times when non-local visitations are low.
- Consolidate some of the business units in order to achieve economies of scale in purchasing, the use of staffing, and central operations. If at least a portion of the overhead of separate business units could be combined (e.g., accounting, human resources, central reservations) and thereby reduced, it could provide significantly greater profits for the concessionaire. This would not only benefit the concessionaire, but also the State in that there would be more stability in generating income from the rent contracts.
- Based on current trends in visitations, current occupancy rates for the City Hotel and Fallon Hotel, the costs of operations for all lodging and food and beverage business units, the commitments of \$30,000 for annual marketing, and the current rent and maintenance agreements with the State, it would be best for some/all lodging and food and beverage business units to be combined so that the combined total annual revenues could reach at least \$1.0 million. This would allow combined estimated annual profits to be in excess of \$100,000 annually during the contract term, and thereby help provide a return to the concessionaire and pay (or assist in paying) for the needed capital improvements, especially to the City Hotel. An example of combinations is shown below:

Revenues:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	\$295,710	\$368,558	\$153,411	\$143,605	\$8,385	\$268,834	\$269,706	\$1,508,209
2010	\$308,882	\$386,162	\$160,244	\$150,001	\$8,759	\$281,675	\$281,719	\$1,577,442
2011	\$322,639	\$404,607	\$167,381	\$156,682	\$9,149	\$295,129	\$294,267	\$1,649,854
2012	\$337,010	\$423,934	\$174,837	\$163,661	\$9,556	\$309,226	\$307,375	\$1,725,599
2013	\$352,022	\$444,183	\$182,624	\$170,951	\$9,982	\$323,997	\$321,065	\$1,804,824
2014	\$367,701	\$465,400	\$190,759	\$178,565	\$10,426	\$339,473	\$335,366	\$1,887,690
2015	\$384,079	\$487,630	\$199,255	\$186,519	\$10,891	\$355,688	\$350,304	\$1,974,366
2016	\$401,186	\$510,922	\$208,130	\$194,826	\$11,376	\$372,678	\$365,907	\$2,065,025
2017	\$419,056	\$535,327	\$217,401	\$203,504	\$11,883	\$390,479	\$382,205	\$2,159,855

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2018	\$437,721	\$560,897	\$227,084	\$212,569	\$12,412	\$409,131	\$399,229	\$2,259,043
2019	\$457,218	\$587,689	\$237,199	\$222,037	\$12,965	\$428,673	\$417,011	\$2,362,792
2020	\$477,582	\$615,760	\$247,764	\$231,926	\$13,542	\$449,149	\$435,585	\$2,471,308
2021	\$498,855	\$645,173	\$258,800	\$242,257	\$14,145	\$470,603	\$454,987	\$2,584,820
2022	\$521,075	\$675,990	\$270,327	\$253,047	\$14,775	\$493,082	\$475,252	\$2,703,548
2023	\$544,284	\$708,279	\$282,368	\$264,318	\$15,433	\$516,634	\$496,421	\$2,827,737
2024	\$568,528	\$742,111	\$294,945	\$276,091	\$16,121	\$541,312	\$518,532	\$2,957,640
2025	\$593,851	\$777,558	\$308,082	\$288,389	\$16,839	\$567,168	\$541,628	\$3,093,515
2026	\$620,301	\$814,699	\$321,804	\$301,234	\$17,589	\$594,259	\$565,753	\$3,235,639
2027	\$647,931	\$853,613	\$336,138	\$314,651	\$18,372	\$622,644	\$590,952	\$3,384,301
2028	\$676,790	\$894,387	\$351,110	\$328,666	\$19,191	\$652,385	\$617,274	\$3,539,803
Total	\$9,232,421	\$11,902,879	\$4,789,663	\$4,483,499	\$261,791	\$8,682,219	\$8,420,538	\$47,773,010

Profits:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	\$42,957	\$30,291	\$9,837	\$12,309	\$517	\$72,555	\$43,761	\$212,227
2010	\$45,316	\$31,977	\$10,498	\$13,080	\$763	\$76,020	\$40,076	\$217,730
2011	\$47,779	\$33,743	\$11,188	\$13,885	\$1,020	\$79,652	\$41,861	\$229,128
2012	\$50,353	\$35,593	\$11,909	\$14,727	\$1,288	\$83,456	\$43,726	\$241,052
2013	\$53,042	\$37,532	\$12,662	\$15,605	\$1,568	\$87,443	\$45,673	\$253,525
2014	\$55,850	\$39,564	\$13,449	\$16,523	\$1,860	\$91,619	\$47,708	\$266,573
2015	\$58,783	\$41,692	\$14,270	\$17,482	\$2,166	\$95,996	\$49,833	\$280,222
2016	\$61,846	\$43,923	\$15,129	\$18,483	\$2,485	\$100,581	\$52,052	\$294,499
2017	\$65,046	\$46,260	\$16,025	\$19,529	\$2,818	\$105,385	\$54,371	\$309,434
2018	\$68,389	\$48,708	\$16,962	\$20,621	\$3,167	\$110,419	\$56,793	\$325,059
2019	\$71,880	\$51,273	\$17,940	\$21,763	\$3,530	\$115,693	\$59,322	\$341,401
2020	\$75,528	\$53,961	\$18,962	\$22,955	\$3,910	\$121,219	\$61,964	\$358,499
2021	\$79,337	\$56,778	\$20,029	\$24,200	\$4,307	\$127,010	\$64,724	\$376,385
2022	\$83,316	\$59,729	\$21,144	\$25,501	\$4,722	\$133,076	\$67,607	\$395,095
2023	\$87,473	\$62,820	\$22,308	\$26,859	\$5,155	\$139,433	\$70,619	\$414,667
2024	\$91,815	\$66,060	\$23,525	\$28,278	\$5,607	\$146,093	\$73,764	\$435,142
2025	\$96,350	\$69,454	\$24,795	\$29,760	\$6,080	\$153,071	\$77,050	\$456,560
2026	\$101,086	\$73,011	\$26,122	\$31,309	\$6,573	\$160,383	\$80,482	\$478,966
2027	\$106,034	\$76,737	\$27,509	\$32,926	\$7,089	\$168,044	\$84,066	\$502,405
2028	\$111,202	\$80,641	\$28,957	\$34,615	\$7,627	\$176,070	\$87,811	\$526,923
Total	\$1,453,382	\$1,039,747	\$363,220	\$440,410	\$72,252	\$2,343,218	\$1,203,263	\$6,915,492

Profits on Revenues:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	14.53%	8.22%	6.41%	8.57%	6.17%	26.99%	16.23%	14.19%
2010	14.67%	8.28%	6.55%	8.72%	8.71%	26.99%	14.23%	13.91%
2011	14.81%	8.34%	6.68%	8.86%	11.15%	26.99%	14.23%	13.99%
2012	14.94%	8.40%	6.81%	9.00%	13.48%	26.99%	14.23%	14.07%
2013	15.07%	8.45%	6.93%	9.13%	15.71%	26.99%	14.23%	14.14%
2014	15.19%	8.50%	7.05%	9.25%	17.84%	26.99%	14.23%	14.21%
2015	15.30%	8.55%	7.16%	9.37%	19.89%	26.99%	14.23%	14.28%
2016	15.42%	8.60%	7.27%	9.49%	21.84%	26.99%	14.23%	14.34%
2017	15.52%	8.64%	7.37%	9.60%	23.71%	26.99%	14.23%	14.41%
2018	15.62%	8.68%	7.47%	9.70%	25.52%	26.99%	14.23%	14.47%
2019	15.72%	8.72%	7.56%	9.80%	27.23%	26.99%	14.23%	14.52%
2020	15.81%	8.76%	7.65%	9.90%	28.87%	26.99%	14.23%	14.58%
2021	15.90%	8.80%	7.74%	9.99%	30.45%	26.99%	14.23%	14.63%
2022	15.99%	8.84%	7.82%	10.08%	31.96%	26.99%	14.23%	14.68%
2023	16.07%	8.87%	7.90%	10.16%	33.40%	26.99%	14.23%	14.73%
2024	16.15%	8.90%	7.98%	10.24%	34.78%	26.99%	14.23%	14.77%
2025	16.22%	8.93%	8.05%	10.32%	36.11%	26.99%	14.23%	14.81%
2026	16.30%	8.96%	8.12%	10.39%	37.37%	26.99%	14.23%	14.86%
2027	16.37%	8.99%	8.18%	10.46%	38.59%	26.99%	14.23%	14.90%
2028	16.43%	9.02%	8.25%	10.53%	39.74%	26.99%	14.23%	14.93%
Total	15.74%	8.74%	7.58%	9.82%	27.60%	26.99%	14.29%	14.56%

- Based on current trends in visitations, the costs of operations for all retail business units other than lodging and food and beverage, the commitments for annual marketing, and the current rent and maintenance agreements with the State, it would be best for some/all of the retail (i.e., Newby's, Justice Court, Butcher Shop) business units to be combined so that the combined total annual revenues could reach at least \$750,000. This would allow combined estimated annual profits to be in excess of \$70,000 annually, and thereby help provide a return to the concessionaire and pay (or assist in paying) for the needed capital improvements. An example of combinations is shown below:

Revenues:

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2009	\$533,668	\$53,154	\$147,530	\$147,711	\$882,063
2010	\$557,439	\$58,276	\$152,841	\$151,403	\$919,959
2011	\$582,268	\$63,892	\$158,343	\$155,189	\$959,692
2012	\$608,203	\$70,048	\$164,044	\$159,068	\$1,001,363
2013	\$635,293	\$76,798	\$169,949	\$163,045	\$1,045,085
2014	\$663,590	\$84,198	\$176,068	\$167,121	\$1,090,977

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2015	\$693,147	\$92,312	\$182,406	\$171,299	\$1,139,164
2016	\$724,021	\$101,207	\$188,973	\$175,581	\$1,189,782
2017	\$756,270	\$110,959	\$195,776	\$179,971	\$1,242,976
2018	\$789,955	\$121,651	\$202,824	\$184,470	\$1,298,900
2019	\$825,141	\$133,374	\$210,125	\$189,082	\$1,357,722
2020	\$861,893	\$146,226	\$217,690	\$193,809	\$1,419,618
2021	\$900,283	\$160,316	\$225,526	\$198,655	\$1,484,780
2022	\$940,383	\$175,764	\$233,646	\$203,620	\$1,553,413
2023	\$982,269	\$192,701	\$242,057	\$208,711	\$1,625,738
2024	\$1,026,021	\$211,270	\$250,771	\$213,929	\$1,701,991
2025	\$1,071,721	\$231,628	\$259,799	\$219,277	\$1,782,425
2026	\$1,119,457	\$253,948	\$269,151	\$224,759	\$1,867,315
2027	\$1,169,319	\$278,418	\$278,841	\$230,378	\$1,956,956
2028	\$1,221,402	\$305,247	\$288,879	\$236,138	\$2,051,666
Total	\$16,661,743	\$2,921,387	\$4,215,239	\$3,773,216	\$27,571,585

Profits:

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2009	\$35,306	\$22,442	\$5,433	\$8,256	\$71,437
2010	\$36,878	\$24,605	\$5,629	\$8,462	\$75,574
2011	\$38,521	\$26,975	\$5,832	\$8,674	\$80,002
2012	\$40,237	\$29,575	\$6,042	\$8,891	\$84,745
2013	\$42,029	\$32,425	\$6,259	\$9,113	\$89,826
2014	\$43,901	\$35,549	\$6,485	\$9,341	\$95,276
2015	\$45,856	\$38,975	\$6,718	\$9,574	\$101,123
2016	\$47,899	\$42,730	\$6,960	\$9,814	\$107,403
2017	\$50,032	\$46,848	\$7,210	\$10,059	\$114,149
2018	\$52,261	\$51,362	\$7,470	\$10,310	\$121,403
2019	\$54,589	\$56,311	\$7,739	\$10,568	\$129,207
2020	\$57,020	\$61,737	\$8,017	\$10,832	\$137,606
2021	\$59,560	\$67,686	\$8,306	\$11,103	\$146,655
2022	\$62,213	\$74,209	\$8,605	\$11,381	\$156,408
2023	\$64,984	\$81,359	\$8,914	\$11,665	\$166,922
2024	\$67,878	\$89,199	\$9,236	\$11,956	\$178,269
2025	\$70,902	\$97,795	\$9,568	\$12,256	\$190,521
2026	\$74,060	\$107,218	\$9,913	\$12,562	\$203,753
2027	\$77,358	\$117,550	\$10,269	\$12,876	\$218,053
2028	\$80,804	\$128,877	\$10,639	\$13,198	\$233,518
Total	\$1,102,288	\$1,233,427	\$155,244	\$210,891	\$2,701,850

Profits on Revenues

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2009	6.62%	42.22%	3.68%	5.59%	8.10%
2010	6.62%	42.22%	3.68%	5.59%	8.21%
2011	6.62%	42.22%	3.68%	5.59%	8.34%
2012	6.62%	42.22%	3.68%	5.59%	8.46%
2013	6.62%	42.22%	3.68%	5.59%	8.60%
2014	6.62%	42.22%	3.68%	5.59%	8.73%
2015	6.62%	42.22%	3.68%	5.59%	8.88%
2016	6.62%	42.22%	3.68%	5.59%	9.03%
2017	6.62%	42.22%	3.68%	5.59%	9.18%
2018	6.62%	42.22%	3.68%	5.59%	9.35%
2019	6.62%	42.22%	3.68%	5.59%	9.52%
2020	6.62%	42.22%	3.68%	5.59%	9.69%
2021	6.62%	42.22%	3.68%	5.59%	9.88%
2022	6.62%	42.22%	3.68%	5.59%	10.07%
2023	6.62%	42.22%	3.68%	5.59%	10.27%
2024	6.62%	42.22%	3.68%	5.59%	10.47%
2025	6.62%	42.22%	3.68%	5.59%	10.69%
2026	6.62%	42.22%	3.68%	5.59%	10.91%
2027	6.62%	42.22%	3.68%	5.59%	11.14%
2028	6.62%	42.22%	3.68%	5.59%	11.38%
Total	6.62%	42.22%	3.68%	5.59%	9.80%

- Package some of the amenities offered to visitors. If some of the business units are consolidated, more attractive packages might be developed to make the Park a destination property for overnight use. Room-dinner-show packages could have more appeal to both locals who want to celebrate a special occasion and to visitors who travel further distances to the Park. All of this could serve to increase the number of visitors to the Park.
- If the costs of making the cottages usable can be made more manageable, they could be a significant addition to the City Hotel and Fallon Hotel. This would offer potential guests special “suites” or make units available for families that cannot easily be accommodated at the current time. With a central reservation system, the fixed costs of operating the cottages would be relatively low.

AN ASSESSMENT OF SELECTED BUSINESS UNITS WITHIN COLUMBIA STATE HISTORIC PARK

REPORT OF FINDINGS

INTRODUCTION

In January 2008, the California Department of Parks and Recreation (DPR) retained California State University, Sacramento (CSUS) to conduct an economic study to assess the potential revenues and profitability of selected business units within the Columbia State Historic Park (Park). The project included researching, investigating, and evaluating the economic viability of the City and Fallon Hotel concession complex located in Columbia State Historic Park.

At the time of this study, the concession contract included the City Hotel, Fallon Hotel, City Hotel Restaurant, What Cheer Saloon, Fallon Theater, and Fallon Ice Cream Parlor profit centers. Unfortunately, as a result of various events, the concession as currently constituted may not afford a viable business opportunity for prospective operators. Therefore, in addition to assessing the financial viability of the current concession operation, the study was to evaluate merging additional business units (or concession venues) into the City/Fallon Hotel contract in order to create an economically viable concession bundle.

Potential profit center additions include: the Jack Douglass Saloon, Columbia Barber Shop, Columbia House Restaurant, Columbia Mercantile, Jack Douglass Saloon, a vacant retail space, and short term cottage rentals (5 to 10 state- owned residential properties). The objective was to examine combining one or more of these additional business units with the City/Fallon Hotel complex contract under a ten-year contract term with the goal of producing an economically viable package for offer through a public bid process.

The Scope of Work included:

- Inspecting the location; proposed concession sites; and surrounding park environment.
- Consulting with DPR Park staff with regard to project concept, scope, interpretive goals, cultural resource considerations, etc.

- Assess existing market conditions and potential demand.
- Reviewing profit and loss data for appropriate Columbia SHP concession and house rental operations.
- Reviewing industry statistics relating to comparable concession activities.
- Preparing a Summary Report to include the:
 - Economic viability of the City/Fallon Hotel concession package as currently constituted.
 - Potential need and practicality for inclusion of additional profit centers to create a viable concession opportunity for public bidding under a 5-year to 20-year contract term, including recommendations for an appropriate mix of profit centers.

Dennis H. Tootelian, Ph.D., Professor of Marketing and Director of the Center for Small Business at CSUS, was designated as the principle investigator. A copy of his academic resume is presented in Appendix A.

METHODOLOGY, CAVEATS, AND TABLES

Data for this study came from a variety of primary and secondary sources, including:

- a. The general plan and other documents related to the Park supplied by the DPR and Park staff.
- b. Park staff with regard to project concept, scope, and estimated construction costs.
- c. Inspecting the business units within the Park, surrounding park grounds and facilities, and the surrounding community.
- d. State and federal population and demographic statistics and future population projections for feeder markets to the business units.
- e. Industry statistics relating to the current and proposed business unit activities.
- f. Internet search for possible competitors for lodging facilities.

The results of any research and analysis should be used with caution and at the reader's own discretion. No matter how well constructed, every study and all projections contain the possibility of some degree of error. Furthermore, no guarantees can be made as to the future of any business because of the many factors that influence its ultimate success. Accordingly, the reader assumes sole responsibility for the use of this information.

Tables with the support statistics used in these analyses are presented in Appendix B

MARKET CHARACTERISTICS

In preparing an overall assessment of the business units within the Park, an analysis was made of the relevant market area. This included Tuolumne County (within which the Park is located) and the surrounding contiguous counties of Alpine, Calaveras, Mariposa, Merced, Mono, and Stanislaus. While it is understood that the Park draws from a wide geographic area, these seven counties also serve as “feeder markets” for potential non-tourist customers and referral sources for one or more of the business units.

The market characteristics included in this analysis are population projections for the seven counties, housing units in the event that the cottages are used as rental property rather than extensions of the City or Fallon Hotels, projected retail activity which would either complement or compete with the retail business units inside the Park, and lodging in the surrounding area which could compete for overnight visitors to the Park. Data pertaining to these characteristics are presented in Tables One through Four.

Population Projections

The focus in this study was on Tuolumne and the six surrounding counties. These are potential sources of visitors who will come to the Park for outings and referral sources to those visiting the residents. Past and projected populations of each county and their respective towns/cities are presented in Table One.

Presented below are the 2007 populations of each county and the five year growth rates in population from 2002 through 2007.

COUNTY	2007	5 Year Growth
Tuolumne County		
Sonora	4,750	0.9%
Balance Of County	52,473	0.4%
County Total	57,223	0.5%
Alpine County	1,261	0.1%
Calaveras County	46,028	1.8%
Mariposa County	18,254	1.1%
Merced County	251,510	2.6%
Mono County	13,985	1.1%
Stanislaus County	521,497	2.0%
Total of Adjacent Counties	909,758	2.0%
Total of Tuolumne, Alpine, Calaveras, Mariposa, and Mono Counties only	136,751	1.1%

As is apparent, the population of the Tuolumne County has a growth rate of 0.5% per year, which is somewhat below that of most adjacent counties. However, the only counties having growth rates over 2.0% are the larger ones of Merced and Stanislaus counties.

Nevertheless, there remains a reasonable population base to support businesses located in the Park. Furthermore, given that most of the population in the five smaller counties (i.e., Tuolumne, Alpine, Calaveras, Mariposa, and Mono) resides in unincorporated areas, they have to travel to purchase supplies and entertainment. Accordingly, the business units in the Park could focus some attention on building a customer base among the 138,750 people currently residing in those smaller counties.

Housing in Tuolumne and Adjacent Counties

The purpose of this analysis was to assess whether the cottages currently in the Park could be used as either rental units or extensions of the City or Fallon Hotels. The numbers of housing units and vacancy rates for Tuolumne and the adjacent counts are presented in Table Two.

Presented below is a summary of the housing units and occupancy rates for the seven-county region:

COUNTY	Housing Units Total	Occupied	Percent Vacant
Tuolumne County	30,331	22,494	25.84
Alpine County	1,734	552	68.17
Calaveras County	27,349	19,647	28.16
Mariposa County	10,203	7,646	25.06
Merced County	83,402	77,966	6.52
Mono County	13,640	6,040	55.72
Stanislaus County	175,040	168,483	3.75
Total	341,699	302,828	11.38%
Total: Tuolumne, Alpine, Calaveras, Mariposa, Mono	69,617	50,339	27.69%

Aside from the larger counties of Merced and Stanislaus, the other counties have very high vacancy rates. As shown in Table Two, however, most of the vacancies are in the unincorporated areas of the counties. The vacancy rate in Sonora, for example, was 6.6% in 2007, while it was 27.5% in the unincorporated areas. This suggests that vacancy rates in the more “urban” areas are lower than the outlying locations, thereby making it possible that the cottages in the Park might be suitable as longer-term rentals should that be desired by a future concessionaire. Accordingly, this may provide options for a future concessionaire to either rent the cottages on a nightly basis to complement the facilities available in the City and Fallon Hotels or rent them on monthly or longer-term bases to residents of the County.

Retail Activity in Tuolumne and Adjacent Counties

One measure of the potential future success of retail business units is the current and projected retail activity for the area. Presented in Table Three are selected statistics on retail activity in those areas in 2007 and projected to 2030.

Shown below are 2007 statistics on per capita income (i.e., income per person in 2007), retail sales per resident of the county, and retail sales per outlet within the county.

	2007	Growth
Tuolumne County		
Per Capita Income	\$31,968	5.1%
Sales per Person	\$8,704	2.0%
Retail Store Sales per Outlet	\$539,599	2.9%
Alpine County		
Per Capita Income	\$37,670	5.5%
Sales per Person	\$6,557	n.a.
Retail Store Sales per Outlet	\$275,633	7.6%
Calaveras County		
Per Capita Income	\$30,221	2.9%
Sales per Person	\$4,961	3.3%
Retail Store Sales per Outlet	\$304,083	3.3%
Mariposa County		
Per Capita Income	\$28,239	3.5%
Sales per Person	\$3,351	3.5%
Retail Store Sales per Outlet	\$209,950	2.5%
Merced County		
Per Capita Income	\$24,313	2.4%
Sales per Person	\$7,517	3.0%
Retail Store Sales per Outlet	\$929,662	4.0%
Mono County		
Per Capita Income (50% of actual)	\$45,905	9.6%
Sales per Person	\$13,448	4.4%
Retail Store Sales per Outlet	\$567,613	5.4%
Stanislaus County		
Per Capita Income	\$28,225	2.9%
Sales per Person	\$10,425	3.2%
Retail Store Sales per Outlet	\$998,799	3.9%

Per capita income in Tuolumne County is higher than that of each of the adjacent counties other than Alpine and Mono. Additionally, sales per person in 2007 were higher than that of all counties other than Mono and Stanislaus. Finally, retail store sales per outlet were higher than in all counties other than Merced, Mono, and Stanislaus.

All of the counties showed reasonably strong growth rates in per capita income, sales per person, and retail store sales per outlet. The implication is that many of the outlets in Tuolumne and its adjacent counties have experienced solid growth rates in sales from

2002 through 2007. Additionally, per capita incomes have risen reasonably well which provides the spending power for county residents to support the retail businesses in their areas.

Lodging in the Surrounding Area

The City and Fallon Hotels can be used as lodging for tourist from well outside the area and/or for “overnight getaways” by local residents who are celebrating special events (e.g., anniversaries). A listing of some of the lodging in the general area and their posted starting rates per night are presented in Table Four.

The starting room rates shown in Table Four range from \$65.00 per night to \$300.00. The average is \$112.00 per night. Some caution should be used in examining these rates since discounts might be available through on-line services (e.g., Travelocity, Expedia), memberships (e.g., AARP, AAA), and simply negotiating with the facility itself.

Comparatively, the posted room rates for the City Hotel range from \$125.00 to \$145.00 per night, and \$90.00 to \$145.00 per night for the Fallon Hotel. The average room rate for the City Hotel in 2005 was \$102.14 per night, and \$93.41 per night in the Fallon Hotel. Accordingly, it appears that both the City and Fallon Hotels are priced at least in the middle, and possibly in the upper tier, of hotel rates in the area. Clearly, Sonora offers a wide range of room rates that could appeal to visitors and/or residents in nearly all price points.

In the Park, the prices charged by the City Hotel and Fallon Hotel are reasonably close to each other and thereby do not offer much in the way of options to potential guests. Additionally, the units do not have private bathrooms, and this limits the appeal of both hotels.

PAST BUSINESS UNIT OPERATIONS

Some statistics were available to assess the past operations of selected business units. These included past financial statements, hotel occupancy and room rates, and restaurant utilization. Data for these matters are presented in Tables Five through Seven.

Business Unit Financial Statements

Limited amounts of financial data were available from the various business units included in this study. Presented in Table Five are past financials provided by Forever Resorts for the City and Fallon Hotels, What Cheer Saloon, Ice Cream Parlor, and Fallon Theatre. Additional partial financials were provided by DPR for the Columbia House Restaurant, Jack Douglass Saloon, Columbia Mercantile, and Newby's Barber Shop (no longer operational).

Accordingly, it is difficult to use the past statistics as the sole basis for making future projections. Some conclusions about past operations based on the data is available may be warranted. Caution, however, should be used in interpreting these statistics.

- ***City Hotel and Fallon Hotels Combined*** (data was not available for each separately): Revenues declined an average of 5.3% per year while Cost of Sales rose significantly. Expenses declined in 2005 and then remained relatively stable even with the substantial decline in Revenues.
- ***City Hotel Restaurant***: Revenues for the City Hotel Restaurant appear to have declined at an average rate of 18.4% per year from 2004 through 2007. While this was occurring, Cost of Sales rose considerably between 2004 and 2007 and Expenses declined.
- ***What Cheer Saloon***: Revenues for the What Cheer Saloon declined an average of 4.3% per year. Cost of Sales remained relatively stable despite the decline in Revenues, and Expenses rose significantly.
- ***Ice Cream Parlor***: Revenues for the Ice Cream Parlor rose an average of 2.1% per year. However, Cost of Sales and Expenses grew significantly faster.
- ***Fallon Theatre***: Revenues, although somewhat negligible, for the Fallon Theatre declined by an average of 3.6% per year. Expenses declined at a much faster rate.
- ***Columbia House Restaurant***: The available data for this restaurant is somewhat old, and makes it difficult to come to reasonable conclusions. However, it appears that revenues grew in 2004 and may have grown in 2005. Costs of Goods Sold and Operating Expenses also rose during that time.

- ***Jack Douglass Saloon:*** Only one year's data was available.
- ***Columbia Mercantile:*** Data was available for 2003 and 2005 only. Revenues remained stable over these years. Costs of Goods Sold declined while Operating expenses rose.
- ***Newby's Barber Shop:*** This barber shop is no longer operational. However, based on the data available for 2003/04 and 2004/05, Revenues remained somewhat stable as did Operating Expenses.

Hotel Occupancy and Room Rates

Occupancy rates for the City and Fallon Hotels for 2004 and 2005 are presented in Table Six. These statistics include the number of units available, rented, and total revenue on a monthly basis.

Overall, the City and Fallon Hotels had 8,760 room nights available in 2005, and 3,280 of those were rented. This equates to an average occupancy of 37.4%. As shown in Table Six, however, occupancy rates are considerably higher in June through September and in December than they are in the other months. Occupancy may be impacted somewhat by weather and/or events since higher occupancy rates were found in May and October in 2004 than they were in 2005.

The average revenue per room was \$98.49 in 2005 and \$102.50 in 2004. In comparing 2004 and 2005, the average room rate declined 3.9% and the occupancy rate rose nearly 8.1% in 2005. Although using only the movement from one year to the next may not be definitive, it suggests that there may be some price sensitivity to room rates.

Based on the statistics for 2004 and 2005, it appears that the City Hotel is the more popular choice. The occupancy rate of the City Hotel in 2005 was 52.3% compared to 26.7% in the Fallon Hotel. Even though the Fallon Hotel has more rooms, the numbers of rooms rented were higher in the City Hotel in both 2004 and 2005 than in the Fallon Hotel.

Room rates in the City Hotel averaged \$102.14 in 2005 and \$108.22 in 2004. Thus, a 5.6% decline in the average room rate occurred during the time when the occupancy rate rose 11.5%. Room rates in the Fallon Hotel averaged \$93.41 in 2005 and \$95.12 in 2004. Thus, a 1.8% decline in the average room rate occurred at the time when the occupancy rate rose 3.1%. All of this suggests that there is some price sensitivity to room rates.

Restaurant Utilization

Food and beverage sales for 2004 and 2005 for the City Hotel Restaurant are presented in Table Seven. Data includes sales of food, bar, and wine for the two years, and the number of guests served. These are broken out by lunch and dinner.

Overall, revenues rose slightly for lunch in 2005 when compared to 2004. The number of lunches served declined from 7,021 in 2004 to 5,751 in 2005—representing a drop of nearly 18.1%. However, the average ticket price per guest rose from \$18.56 in 2004 to \$23.15 in 2005, a 24.7% increase.

Dinner revenues declined from \$622,423 in 2004 to \$595,649 in 2005. This represents a 6.7% decline. However, the average ticket price per guest rose nearly 2.6% to \$45.90 in 2005 compared to \$44.75 in 2004. As in the case of hotel rooms, this suggests that there may be some price sensitivity for food, and especially for lunch.

In 2005, the number of lunches were greatest in about the same months as occupancy rates were highest (i.e., May through October and December). The number of dinners served was more consistent, but highest in April through August and October through December.

Comparisons of the room occupancy rates and number of guests served shows that there may be some relationship. However, it is not a significant relationship.

PROJECTIONS

To assess the financial potential of the business units within the Park, a series of projections were made of visitors, revenues and profits. The process involved projecting the number of Park visitors, using the visitor projections to estimate revenue patterns for the business units, and then using historical and industry average statistics to estimate the costs of business unit operations. From these computations, projections could be made of future revenues and profits of each business unit. These findings are presented in Tables Eight through Fifteen.

Past and Projected Park Visitors

The estimated numbers of visitors to the Park for 2003 through 2007 are presented in Table Eight. According to the DPR, the numbers are only approximations but the methodology for making the estimates has remained consistent over time. As shown in Table Eight, visitations to the Park declined each year from 2004 through 2006, and then rose significantly in 2007.

Given these figures, the growth rate in visitors from 2003 through 2007 was 1.71% per year. Because the financial projections will be made over a period of at least ten years, this rate of growth was considered reasonable for projection purposes. While the 1.71% is slightly higher than what the California Department of Finance projects for California's population from 2000 through 2020 (1.30%), the Park draws from well outside the State. As a result, it is believed that this rate of growth in Park visitations is reasonable.

Accordingly, the number of visitors to the Park is projected to grow from approximately 624,751 in 2008 to 765,054 in 2020, and more than 877,400 in 2028.

The projections for the number of visitors are important since visitors are assumed to comprise a large percentage of the business activity that occurs inside the Park. Whether they be residents of Tuolumne County or from outside the area, they would be included in the DPR estimate of visitors. Therefore, for projection purposes, the average spending per visitor (i.e., business unit revenues divided by the number of visitors to the Park) provides a basis for estimating future revenue patterns for each business unit.

Industry Averages for Selected Types of Business Units

As previously indicated, complete historical financial data on each business unit is not available. Additionally, past operating costs, etc. are not necessarily what would be occurring in the future since the mix of units under one concessionaire could change.

Therefore, industry average statistics were compiled for selected business units to fill in the missing historical data as well provide insights into future operating costs. Industry

statistics were obtained from three published sources: the Risk Management Association's (RMA's) Annual Statement Studies, the Almanac of Business, and IRS Corporate Ratios. All three sources compile financial statistics by Standard Industrial Classification codes.

Statistics compiled for this study are presented in Table Nine. Industry average percentages for Costs of Goods Sold and Operating Expenses are shown below. These are the averages for the years 2003 and 2006 and were used to help estimate the profitability of the business units. *It should be noted that the use of "Jewelry" stores is just to provide data on higher price-point types of outlets. It is not expected that a jewelry store will be housed within the Park.*

Industry	2003-2006 Average	Average % of Sales
Hotels and Motels		
Sales	\$1,028,122	
Cost of Goods Sold	\$0	0.0%
Gross Profit	\$1,028,122	100.0%
Operating Expenses	\$960,950	93.5%
Profit before Taxes	\$67,172	6.5%
Full Service Restaurants		
Sales	\$1,251,847	
Cost of Goods Sold	\$489,472	39.1%
Gross Profit	\$762,375	60.9%
Operating Expenses	\$725,981	58.0%
Profit before Taxes	\$35,745	2.9%
Limited Service Restaurants		
Sales	\$953,148	
Cost of Goods Sold	\$370,296	38.8%
Gross Profit	\$582,852	61.2%
Operating Expenses	\$558,714	58.6%
Profit before Taxes	\$23,584	2.5%
Drinking Places		
Sales	\$817,758	
Cost of Goods Sold	\$340,173	41.6%
Gross Profit	\$477,585	58.4%
Operating Expenses	\$453,041	55.4%
Profit before Taxes	\$24,134	3.0%

Industry	2003-2006 Average	Average % of Sales
Theatre Companies & Dinner Theaters		
Sales	\$1,286,248	
Cost of Goods Sold	\$0	0.0%
Gross Profit	\$1,286,248	100.0%
Operating Expenses	\$1,276,451	99.2%
Profit before Taxes	\$9,797	0.8%
Beauty Salons		
Sales	\$857,046	
Cost of Goods Sold	\$0	0.0%
Gross Profit	\$857,046	100.0%
Operating Expenses	\$823,722	96.1%
Profit before Taxes	\$33,324	3.9%
General Merchandise Stores		
Sales	\$1,079,254	
Cost of Goods Sold	\$634,531	58.8%
Gross Profit	\$444,722	41.2%
Operating Expenses	\$426,410	39.5%
Profit before Taxes	\$18,312	1.7%
Confectionery and Nut Stores		
Sales	\$843,494	
Cost of Goods Sold	\$325,698	38.6%
Gross Profit	\$517,796	61.4%
Operating Expenses	\$471,867	55.9%
Profit before Taxes	\$48,760	5.8%
Gift, Novelty, & Souvenir Stores		
Sales	\$754,700	
Cost of Goods Sold	\$384,736	51.0%
Gross Profit	\$369,964	49.0%
Operating Expenses	\$347,603	46.1%
Profit before Taxes	\$22,361	3.0%
Hobby, Toy, & Game Stores		
Sales	\$1,103,214	
Cost of Goods Sold	\$620,453	56.2%
Gross Profit	\$482,761	43.8%
Operating Expenses	\$503,400	45.6%
Profit before Taxes	-\$20,639	-1.9%

Industry	2003-2006 Average	Average % of Sales
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Jewelry Stores (example only)

Sales	\$822,189	
Cost of Goods Sold	\$451,681	54.9%
Gross Profit	\$370,509	45.1%
Operating Expenses	\$341,328	41.5%
Profit before Taxes	\$29,180	3.5%

Capital Improvement Needs

The DPR estimated the capital improvement costs needed for the business units. These were provided for each business unit, the Gazebo area which could be used for various cultural and retail functions, and for the residential units (cottages) that could be rented on a daily or longer-term basis. The cost estimates are presented in Table Ten.

For the business units, the most significant capital needs will be \$285,000 for the City Hotel and \$50,000 for the Columbia House Restaurant. The other capital requirements are relatively small and considered negligible for this study.

The costs to renovate and make usable the individual cottages also are presented in Table Ten. These present very significant capital expenditures to make them even available for possible rental use. According to the DPR, the cost to renovate these cottages range from \$494,400 for Residence #8 to nearly \$1.4 million for Residence #34. The DPR believes that it would cost about 50% of these renovation expenses just to make the units usable. The cost per square foot to renovate ranges from \$732.21 (Residence #2) to \$1,648.00 (Residence #8). This is shown below:

	Sq. Feet	Bed/Bath	Renovate	50.00% Make Usable	Cost per Sq. Ft. to Renovate
Residence #2: 22670 Broadway	1,363	2-Feb	\$998,000	\$499,000	\$732.21
Residence #3: 22826 Main	460	1-Jan	\$534,600	\$267,300	\$1,162.17
Residence #4: 22816 Main	800	1-Feb	\$792,000	\$396,000	\$990.00
Residence #8: 22819 Columbia	300	Jan-00	\$494,400	\$247,200	\$1,648.00
Residence #10: 22876 Broadway	766	1-Feb	\$740,000	\$370,000	\$966.06
Residence #12: 22815 Columbia	859	1-Feb	\$817,000	\$408,500	\$951.11
Residence #13: 22817 Columbia	1,379	1-Mar	\$1,361,600	\$680,800	\$987.38
Residence #15: 11304 State	930	1-Mar	\$837,000	\$418,500	\$900.00

At this time, it is uncertain as to which cottages would be renovated and how those which are currently occupied (Residences #3, 4, 10, 12, 13) would be made available. However,

as presented later in this Summary Report, projections were made of possible revenues for their use in conjunction with the City Hotel and/or Fallon Hotel.

Projected Revenues and Profits of Business Units

Projections were made for revenues, expenses and profits of the business units included in this study. Presented in Table Eleven are projections showing each line item by year for 2009 through 2028.

The bases for computing the projections are described below:

- Revenues in most cases were based on historical average revenues per Park visitor. The business unit's sales were computed by dividing the unit's sales by the number of Park visitors. Due to the visitor mix of school children, etc., the revenue projections for Columbia House Restaurant were discounted by 25%. For projection purposes, these revenues per visitor were then adjusted by the Consumer Price Index using one of the annual growth rates shown below.

	2002	2007	Rate
All	112.8	128.844	2.70%
Non-durable	107.3	135.666	4.80%
Food away from home	112.4	130.381	3.01%

Therefore, revenue growth was a function of the growth in Park visitors plus an inflation factor.

Revenue projections for Newby's Barber Shop, Justice Court, and the Butcher Shop are based on industry averages adjusted downward because these would be new businesses, the sizes of the sites available, and because the DPR estimates that 45% of the visitors to the Park are school children.

- Costs of Sales and business unit Expenses were estimated using historical averages expressed as percents of sales or industry averages, whichever was lowest. It was assumed that a concessionaire should be able to achieve a cost structure that would approximate the industry average, especially if some economies of scale could be gained by combining portions of business unit operations (e.g., accounting, human resource, purchasing).
- Because Expenses includes industry average Rent, this had to be removed from the Expenses and the contracted rental rate used by the State was inserted. This served to help customize the industry average for Expenses.
- Officer Salary was removed from the industry average in Expenses. The purpose of this was to show profitability prior to the concessionaire taking a salary since

the resulting Net Income after Rent and before Officer Salary would accrue to the concessionaire.

Projected Revenues by Business Unit

A consolidated summary of revenues by business unit is presented in Table Twelve. Presented below are the projected revenues for ten year increments *beginning in 2009* by business unit:

Business Unit	2009-18 Revenues	2019-28 Revenues
City Hotel	\$2,172,193	\$3,358,575
Fallon Hotel	\$1,453,813	\$2,247,840
City Hotel Restaurant	\$4,587,620	\$7,315,259
What Cheer Saloon	\$1,881,126	\$2,908,537
Ice Cream Parlor	\$1,760,883	\$2,722,616
Fallon Theatre	\$102,819	\$158,972
Columbia House Restaurant	\$3,346,310	\$5,335,909
Jack Douglass Saloon	\$3,307,143	\$5,113,395
Columbia Mercantile	\$6,543,854	\$10,117,889
Newby's Barber Shop	\$832,495	2088891
Justice: Gift Shop	\$1,738,754	\$2,476,484
Butcher: Jewelry	\$1,654,858	\$2,118,358
Total	\$29,381,868	\$45,962,725

Projected Profits by Business Unit

Profits were projected by subtracting historical and industry average Costs of Sales and Expenses from projected Revenues. A consolidated summary of profits before officer salary but with rent taken at the current State contract rate is presented in Table Thirteen. Presented below are the projected profits for ten year increments *beginning in 2009* by business unit:

Business Unit	2009-18 Profits	2019-28 Profits
City Hotel	\$339,006	\$551,467
Fallon Hotel	\$210,355	\$352,554
City Hotel Restaurant	\$389,283	\$650,464
What Cheer Saloon	\$131,929	\$231,291
Ice Cream Parlor	\$162,244	\$278,166
Fallon Theatre	\$17,652	\$54,600
Columbia House Restaurant	\$903,125	\$1,440,092
Jack Douglass Saloon	\$475,854	\$727,409
Columbia Mercantile	\$432,920	\$669,368
Newby's Barber Shop	\$351,483	\$881,939

Business Unit	2009-18 Profits	2019-28 Profits
Justice: Gift Shop	\$64,036	\$91,205
Butcher: Jewelry	\$92,492	\$118,397
Total	\$3,570,379	\$6,046,952

Based on these projections, the capital improvement costs for the City Hotel would be recovered in 2016. However, with the combination of the City Hotel, Fallon Hotel, City Hotel Restaurant, What Cheer Saloon, Ice Cream Parlor, and Fallon Theatre, the capital investment in the City Hotel (\$285,000), Fallon Hotel (\$10,000), and Fallon Theatre (\$20,000) would be recovered relatively early within the third year (2012).

Furthermore, based on these projections the capital improvements for the Columbia House Restaurant (\$50,000) could be recovered within the first year.

Projected Revenues and Profits by Combinations of Business Unit

An analysis was made of the impact of combining some of the business units under a single concession agreement to possibly achieve economies of scale by centralizing portions of operations and quantity purchasing.

The revenue totals are presented in Table Fourteen. A summary of this grouping of revenues in ten year increments *beginning in 2009* is shown below using hotel and food as one grouping and retail as another grouping:

Business Unit	2009-18 Revenues	2019-28 Revenues
Hotel & Food		
City Hotel	\$2,172,193	\$3,358,575
Fallon Hotel	\$1,453,813	\$2,247,840
City Hotel Restaurant	\$4,587,620	\$7,315,259
What Cheer Saloon	\$1,881,126	\$2,908,537
Ice Cream Parlor	\$1,760,883	\$2,722,616
Fallon Theatre	\$102,819	\$158,972
Total	\$11,958,454	\$18,711,799

Business Unit	2009-18 Revenues	2019-28 Revenues
Columbia House Restaurant	\$3,346,310	\$5,335,909
Jack Douglass Saloon	\$3,307,143	\$5,113,395
Total	\$6,653,453	\$10,449,304
Cumulative Total	\$18,611,907	\$43,977,159

Business Unit	2009-18 Revenues	2019-28 Revenues
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Retail Outlets

Columbia Mercantile	\$6,543,854	\$10,117,889
Newby's Barber Shop	\$832,495	\$2,088,891
Justice: Gift Shop	\$1,738,754	\$2,476,484
Butcher: Jewelry	\$1,654,858	\$2,118,358
Total	\$10,769,961	\$16,801,622

Overall Total	\$29,381,868	\$52,936,835
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The profits before officer salary but after rent to the State are presented in Table Fifteen. A summary of this grouping of profits in ten year increments ***beginning in 2009*** is shown below using hotel and food as one grouping and retail as another grouping:

Business Unit	2009-18 Profits	2019-28 Profits
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Hotel & Food

City Hotel	\$339,006	\$551,467
Fallon Hotel	\$210,355	\$352,554
City Hotel Restaurant	\$389,283	\$650,464
What Cheer Saloon	\$131,929	\$231,291
Ice Cream Parlor	\$162,244	\$278,166
Fallon Theatre	\$17,652	\$54,600
Total	\$1,250,469	\$2,118,542

Columbia House Restaurant	\$903,125	\$1,440,092
Jack Douglass Saloon	\$475,854	\$727,409
Total	\$1,378,979	\$2,167,501

Cumulative Total	\$2,629,448	\$4,286,043
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Retail Outlets

Columbia Mercantile	\$432,920	\$669,368
Newby's Barber Shop	\$351,483	\$881,939
Justice: Gift Shop	\$64,036	\$91,205
Butcher: Jewelry	\$92,492	\$118,397
Total	\$940,931	\$1,760,909

Overall Total	\$3,570,379	\$6,046,952
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Projected Rent to the State

Based on the revenue projections, and using the current contractual rates established by the State for the concessions within the Park, estimates were made of the possible rent to

the State. These are shown by business unit on a yearly basis in Table Sixteen. Also presented in that table are the possible total rents if some of the business units are combined.

Presented below is a summary of the rent to the State in ten year increments *beginning in 2009*. These are based on the projected revenues and maintaining the same contract terms for rent as currently exists.

Business Unit	2009-18 Rent to State	2019-28 Rent to State
City Hotel	\$83,609	\$142,929
Fallon Hotel	\$47,691	\$87,392
City Hotel Restaurant	\$204,381	\$340,763
What Cheer Saloon	\$69,057	\$120,425
Ice Cream Parlor	\$63,043	\$111,131
Fallon Theatre	\$2,571	\$3,975
Columbia House Restaurant	\$167,316	\$266,795
Jack Douglass Saloon	\$198,427	\$306,803
Columbia Mercantile	\$261,756	\$404,716
Newby's Barber Shop	\$124,875	\$313,334
Justice: Gift Shop	\$139,101	\$198,119
Butcher: Jewelry	\$132,389	\$169,469
Total	\$1,494,216	\$2,465,851

Projected Rental Revenue from Cottages

Based on the lodging that is currently available (see Table Four), the City Hotel and Fallon Hotel nightly rates for their rooms, and occupancy rates, it is believed that the average room rates for the cottages could be as shown below:

	50% to Make Usable	Square Feet	Bed/Bath	Avg. Room Rate
Residence #2: 22670 Broadway	\$499,000	1,363	2/2	\$225
Residence #3: 22826 Main	\$267,300	460	1/1	\$150
Residence #4: 22816 Main	\$396,000	800	2/1	\$175
Residence #8: 22819 Columbia	\$247,200	300	1/0	\$150
Residence #10: 22876 Broadway	\$370,000	766	2/1	\$175
Residence #12: 22815 Columbia	\$408,500	859	2/1	\$175
Residence #13: 22817 Columbia	\$680,800	1,379	3/1	\$225
Residence #15: 11304 State	\$418,500	930	3/1	\$200

Revenues and Net Incomes were projected for each cottage based on these average room rates which will increase 5.0% per year. Operating costs were assumed to be consolidated with the City Hotel and/or Fallon Hotel, and therefore were set at 20.0% of

revenues since there would be relatively little additional fixed costs. Rent to the State was assumed to be 4.5% of revenues.

Revenue Projections

Revenue projections were made under occupancy rates of 40%, 50%, and 60%. These findings are presented in Table Seventeen. Shown below are ten year increments *beginning with 2009* for what each unit would generate in Revenues at the various occupancy rates:

	2009-2018	2019-2028	Total
Unit at 40% Occupancy			
#2	\$427,900	\$697,003	\$1,124,903
#3	\$285,267	\$464,669	\$749,936
#4	\$332,810	\$542,114	\$874,924
#8	\$285,267	\$464,669	\$749,936
#10	\$332,810	\$542,114	\$874,924
#12	\$332,810	\$542,114	\$874,924
#13	\$427,900	\$697,003	\$1,124,903
#15	\$380,356	\$619,560	\$999,916
Unit at 50% Occupancy			
#2	\$534,875	\$871,255	\$1,406,130
#3	\$356,585	\$580,837	\$937,422
#4	\$416,014	\$677,644	\$1,093,658
#8	\$356,585	\$580,837	\$937,422
#10	\$416,014	\$677,644	\$1,093,658
#12	\$416,014	\$677,644	\$1,093,658
#13	\$534,875	\$871,255	\$1,406,130
#15	\$475,444	\$774,448	\$1,249,892
Unit at 60% Occupancy			
#2	\$641,851	\$1,045,507	\$1,687,358
#3	\$427,900	\$697,003	\$1,124,903
#4	\$499,216	\$813,171	\$1,312,387
#8	\$427,900	\$697,003	\$1,124,903
#10	\$499,216	\$813,171	\$1,312,387
#12	\$499,216	\$813,171	\$1,312,387
#13	\$641,851	\$1,045,507	\$1,687,358
#15	\$570,532	\$929,338	\$1,499,870

Profit Projections

Based on the assumption that operating expenses, including rent would be 24.5% of revenues, shown below is the profit after rent to the State that would be generated from each unit in ten-year increments beginning in 2009.

	2009-2018	2019-2028	Total
Unit at 40% Occupancy			
#2	\$323,064	\$526,237	\$849,301
#3	\$215,376	\$350,825	\$566,201
#4	\$251,272	\$409,296	\$660,568
#8	\$215,376	\$350,825	\$566,201
#10	\$251,272	\$409,296	\$660,568
#12	\$251,272	\$409,296	\$660,568
#13	\$323,064	\$526,237	\$849,301
#15	\$287,168	\$467,768	\$754,936
Unit at 50% Occupancy			
#2	\$403,831	\$657,796	\$1,061,627
#3	\$269,220	\$438,532	\$707,752
#4	\$314,090	\$511,619	\$825,709
#8	\$269,220	\$438,532	\$707,752
#10	\$314,090	\$511,619	\$825,709
#12	\$314,090	\$511,619	\$825,709
#13	\$403,831	\$657,796	\$1,061,627
#15	\$358,959	\$584,710	\$943,669
Unit at 60% Occupancy			
#2	\$484,598	\$789,355	\$1,273,953
#3	\$323,064	\$526,237	\$849,301
#4	\$376,907	\$613,945	\$990,852
#8	\$323,064	\$526,237	\$849,301
#10	\$376,907	\$613,945	\$990,852
#12	\$376,907	\$613,945	\$990,852
#13	\$484,598	\$789,355	\$1,273,953
#15	\$430,753	\$701,649	\$1,132,402

Based on these projections *beginning in 2009*, the year in which 50.0% of the capital improvement costs would be recovered for each cottage to make it usable are shown below:

	40% Occupancy	50% Occupancy	60% Occupancy
Unit at 40% Occupancy			
#2	2022	2020	2019
#3	2020	2018	2017
#4	2023	2020	2019
#8	2020	2018	2017
#10	2022	2020	2018

	40% Occupancy	50% Occupancy	60% Occupancy
#12	2023	2021	2019
#13	2026	2023	2021
#15	2022	2020	2018

CONCLUSIONS AND RECOMMENDATIONS

Based on the finding of the analyses, the following are conclusions and recommendations pertaining to the business units within the Park:

- The population of Tuolumne County in 2007 was 57,223 and is growing at a rate of about 0.5% per year, and the six adjacent counties (i.e., Alpine, Calaveras, Mariposa, Merced, Mono, and Stanislaus) are growing at a combined rate of 2.0% annually. This suggests that while Tuolumne County is growing, it is not experiencing as rapid a growth as its neighboring counties. However, the other counties do provide a significant feeder market to the Park since their combined population in 2007 was 852,535. In total, there were about 909,758 people residing in the seven counties. This is a substantial number from which to draw “locals” for hotel, dining, and shopping and to serve as a “referral market” for their out-of-town guests.

One of the more significant characteristics of Tuolumne County is that 91.7% of the residents live in the unincorporated areas. While this indicates that population density is quite low, it also implies that residents are not necessarily tied to shopping directly within their residential areas since they do not live in established communities. This means that the Park could capture some of the retail trade of the residents of the County.

- 2007 per capita income in Tuolumne County was \$31,968, and was growing at a rate of 5.1% per year. The only other neighboring counties with faster growth rates in per capita income were Alpine (5.5%) and Mono (9.6%), both of which have very small population bases. This suggests that incomes within the County could support retail activity.
- Retail activity in Tuolumne County is growing. Retail sales per person averaged \$8,704 and were growing at the rate of 2.0% per year. Only Mono and Stanislaus counties had higher retail sales per person. Furthermore, the average retail outlet in Tuolumne County generated \$539,599 in revenue in 2007. Only Merced, Mono, and Stanislaus counties had higher sales per outlet than Tuolumne. Retail sales in Tuolumne County were growing at the rate of 2.9% per year. This indicates that the retail sector in the county was reasonably healthy in 2007 and had been exhibiting significant growth over the past few years.
- Lodging in Tuolumne and neighboring counties is reasonably competitive. There are an abundance of hotels and motels in the surrounding area. Furthermore, the posted room rates range from \$65.00 to \$300.00 per night. The average room rate of the sample taken was \$112.00, but this could be on the high side as various discounts typically are available. In comparison, the posted rates for the City Hotel are \$125.00 to \$145.00, and \$90.00 to \$145.00 for the Fallon Hotel. The

implication is that room prices being charged by the City Hotel and Fallon Hotel tend to be towards the higher end of the spectrum.

- Nearly all of the business units for which financial data was available have experienced difficulties in generating revenues and profits. Although the amount of data available was quite limited, it appears in general that while revenues have declined, costs of operations have either grown or not declined in proportion to the declines in revenues. This suggests that there is room for improvement and that combining business unit operations may offer opportunities to achieve some economies of scale that could provide better controls over costs.
- Occupancy rates at the City Hotel averaged 52.3% in 2005 and the Fallon Hotel averaged 26.7%. It appears that there could be some price sensitivity since the percentage average revenue per room declined less than the percentage increase in occupancy. The fact that occupancy rates and room rates are moving in opposite direction imply that reductions in room rates might provide opportunities to increase occupancy rates and total revenues. Furthermore, there appears to be some, although perhaps minor, relationship between hotel occupancy rates and sales in restaurants and drinking establishments.

As previously indicated, room rates at both the City Hotel and Fallon Hotel appear to be towards the higher end of the spectrum. Given that neither offers rooms with private baths, this suggests that the rates may be viewed as high. Furthermore, there is relatively little difference in the average rates charged by the two hotels. More separation might provide better choices for future guests, and especially if the Fallon Hotel moves to a lower price point because it has more rooms available and a relatively low occupancy rate.

If the cottages are added into the inventory of rooms available through either the City Hotel or Fallon Hotel, the entire “package” of lodging could be enhanced. The cottages would be more attractive to families and those who want to stay for “special occasions.” Since a central reservation system could be used to book the rooms and the hotel staff could maintain the cottages, the operating costs should be relatively low for these additional units.

- The City Hotel restaurant experienced a slight growth in lunch revenue and a decline in dinner revenue. When compared to 2004, the number of lunches served declined while the average ticket price rose. This was also the case for dinners. With an average lunch price in 2005 of \$23.15, and an average dinner price of \$45.90, this suggests that the restaurant is not especially targeted to families. Some opportunities might present themselves if the two restaurants in the Park (i.e., City Hotel restaurant and Columbia House were combined so that they could gain some economies of scale in purchasing as well as provide more variation in price points for food and beverages to cater to different potential customers.

- The number of visitors to the Park experienced a significant decline from 2004 through 2006, and then grew significantly in 2007. With an average growth rate of 1.7% per year, and their being 614,232 in 2007, this indicates that the Park has substantial drawing power. However, according to the DPR, about 45% of these visitors are school children, which are not major purchasers of goods and services.
- Many of the capital improvements needed in the business units studied represent relatively minor levels of expenditures. However, the City Hotel and the Columbia House restaurant need substantial upgrades, but could be supported by the increases in visitors.

Based on the projections, the capital improvement costs for the City Hotel would be recovered in 2016, which is a relatively long payback period. However, with the combination of the City Hotel, Fallon Hotel, City Hotel Restaurant, What Cheer Saloon, Ice Cream Parlor, and Fallon Theatre, the capital investment in the City Hotel (\$285,000), Fallon Hotel (\$10,000), and Fallon Theatre (\$20,000) would be recovered relatively early within the third year (2012). Furthermore, based on these projections the capital improvements for the Columbia House Restaurant (\$50,000) could be recovered within the first year.

The most significant capital expenditures would be to make the cottages operational. The DPR estimates the cost to completely renovate individual cottages range from \$494,400 (Residence #8) to nearly \$1.4 million (Residence #13). The DPR estimates that an expenditure of 50% of the renovation costs could make the cottages usable. In either case, these represent very large capital expenditures and the payback period is quite lengthy.

- Projections also were made using visitor data and industry averages. These projections represent more optimum levels of business activity. Revenues and profits before officer salary but including rent to the State were projected for each business unit and each cottage. While individual business unit revenue streams vary in size, when they are combined in some fashion, the totals are quite significant.

This is in sharp contract to the projections based on historical trends and suggests that consolidating some of the business units under one concession contract may create a more attractive package and allow the concessionaire to both generate substantial revenues and profits but also create more stability of the operations.

The projected revenues by business unit are shown below. Over the ten year periods, substantial revenues could be generated and could be even higher if there are consolidations which provide more options and packages for visitors to the Park.

Business Unit	2009-2018 Revenues	2019-2028 Revenues
Lodging and Food/Beverage		
City Hotel	\$2,172,193	\$3,358,575
Fallon Hotel	\$1,453,813	\$2,247,840
City Hotel Restaurant	\$4,587,620	\$7,315,259
What Cheer Saloon	\$1,881,126	\$2,908,537
Ice Cream Parlor	\$1,760,883	\$2,722,616
Fallon Theatre	\$102,819	\$158,972
Columbia House Restaurant	\$3,346,310	\$5,335,909
Jack Douglass Saloon	\$3,307,143	\$5,113,395
Total	\$18,611,907	\$29,161,103
Retail		
Columbia Mercantile	\$6,543,854	\$10,117,889
Newby's Barber Shop	\$3,329,980	\$8,355,565
Justice: Gift Shop	\$1,738,754	\$2,476,484
Butcher: Jewelry	\$1,654,858	\$2,118,358
Total	\$13,267,446	\$23,068,296
Total	\$31,879,353	\$52,229,399

The projected profits by business unit are shown below. Over the ten year periods, substantial profits could be obtained and could be even higher if there are consolidations of some costs and economies attained by merging operations.

Business Unit	2009-2018 Profits	2019-2028 Profits
Lodging and Food/Beverage		
City Hotel	\$339,006	\$551,467
Fallon Hotel	\$210,355	\$352,554
City Hotel Restaurant	\$389,283	\$650,464
What Cheer Saloon	\$131,929	\$231,291
Ice Cream Parlor	\$162,244	\$278,166
Fallon Theatre	\$17,652	\$54,600
Columbia House Restaurant	\$903,125	\$1,440,092
Jack Douglass Saloon	\$475,854	\$727,409
Total	\$2,629,448	\$4,286,043
Retail		
Columbia Mercantile	\$432,920	\$669,368
Newby's Barber Shop	\$1,405,933	\$3,527,757
Justice: Gift Shop	\$64,036	\$91,205
Butcher: Jewelry	\$92,492	\$118,397
Total	\$1,995,381	\$4,406,727
Total	\$4,624,829	\$8,692,770

Based on the analyses and these conclusions, some recommendations are to:

- Based on the historical financial data available, most of the business units will experience significant losses over the next ten and twenty year periods if current trends continue. This suggests that some changes need to be made in the manner in which the business units are organized, managed, and marketed.
- Considerable potential exists for the business units if they are marketed aggressively to potential target audiences. In particular, consideration needs to be given to attracting residents of Tuolumne and neighboring counties to use the facilities in the Park. This could help to generate business activity during times when non-local visitations are low.
- Consolidate some of the business units in order to achieve economies of scale in purchasing, the use of staffing, and central operations. If at least a portion of the overhead of separate business units could be combined (e.g., accounting, human resources, central reservations) and thereby reduced, it could provide significantly greater profits for the concessionaire. This would not only benefit the concessionaire, but also the State in that there would be more stability in generating income from the rent contracts.
- Based on current trends in visitations, current occupancy rates for the City Hotel and Fallon Hotel, the costs of operations for all lodging and food and beverage business units, the commitments of \$30,000 for annual marketing, and the current rent and maintenance agreements with the State, it would be best for some/all lodging and food and beverage business units to be combined so that the combined total annual revenues could reach at least \$1.0 million. This would allow combined estimated annual profits to be in excess of \$100,000 annually during the contract term, and thereby help provide a return to the concessionaire and pay (or assist in paying) for the needed capital improvements, especially to the City Hotel. An example of combinations is shown below:

Revenues:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	\$295,710	\$368,558	\$153,411	\$143,605	\$8,385	\$268,834	\$269,706	\$1,508,209
2010	\$308,882	\$386,162	\$160,244	\$150,001	\$8,759	\$281,675	\$281,719	\$1,577,442
2011	\$322,639	\$404,607	\$167,381	\$156,682	\$9,149	\$295,129	\$294,267	\$1,649,854
2012	\$337,010	\$423,934	\$174,837	\$163,661	\$9,556	\$309,226	\$307,375	\$1,725,599
2013	\$352,022	\$444,183	\$182,624	\$170,951	\$9,982	\$323,997	\$321,065	\$1,804,824
2014	\$367,701	\$465,400	\$190,759	\$178,565	\$10,426	\$339,473	\$335,366	\$1,887,690
2015	\$384,079	\$487,630	\$199,255	\$186,519	\$10,891	\$355,688	\$350,304	\$1,974,366
2016	\$401,186	\$510,922	\$208,130	\$194,826	\$11,376	\$372,678	\$365,907	\$2,065,025
2017	\$419,056	\$535,327	\$217,401	\$203,504	\$11,883	\$390,479	\$382,205	\$2,159,855

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2018	\$437,721	\$560,897	\$227,084	\$212,569	\$12,412	\$409,131	\$399,229	\$2,259,043
2019	\$457,218	\$587,689	\$237,199	\$222,037	\$12,965	\$428,673	\$417,011	\$2,362,792
2020	\$477,582	\$615,760	\$247,764	\$231,926	\$13,542	\$449,149	\$435,585	\$2,471,308
2021	\$498,855	\$645,173	\$258,800	\$242,257	\$14,145	\$470,603	\$454,987	\$2,584,820
2022	\$521,075	\$675,990	\$270,327	\$253,047	\$14,775	\$493,082	\$475,252	\$2,703,548
2023	\$544,284	\$708,279	\$282,368	\$264,318	\$15,433	\$516,634	\$496,421	\$2,827,737
2024	\$568,528	\$742,111	\$294,945	\$276,091	\$16,121	\$541,312	\$518,532	\$2,957,640
2025	\$593,851	\$777,558	\$308,082	\$288,389	\$16,839	\$567,168	\$541,628	\$3,093,515
2026	\$620,301	\$814,699	\$321,804	\$301,234	\$17,589	\$594,259	\$565,753	\$3,235,639
2027	\$647,931	\$853,613	\$336,138	\$314,651	\$18,372	\$622,644	\$590,952	\$3,384,301
2028	\$676,790	\$894,387	\$351,110	\$328,666	\$19,191	\$652,385	\$617,274	\$3,539,803
Total	\$9,232,421	\$11,902,879	\$4,789,663	\$4,483,499	\$261,791	\$8,682,219	\$8,420,538	\$47,773,010

Profits:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	\$42,957	\$30,291	\$9,837	\$12,309	\$517	\$72,555	\$43,761	\$212,227
2010	\$45,316	\$31,977	\$10,498	\$13,080	\$763	\$76,020	\$40,076	\$217,730
2011	\$47,779	\$33,743	\$11,188	\$13,885	\$1,020	\$79,652	\$41,861	\$229,128
2012	\$50,353	\$35,593	\$11,909	\$14,727	\$1,288	\$83,456	\$43,726	\$241,052
2013	\$53,042	\$37,532	\$12,662	\$15,605	\$1,568	\$87,443	\$45,673	\$253,525
2014	\$55,850	\$39,564	\$13,449	\$16,523	\$1,860	\$91,619	\$47,708	\$266,573
2015	\$58,783	\$41,692	\$14,270	\$17,482	\$2,166	\$95,996	\$49,833	\$280,222
2016	\$61,846	\$43,923	\$15,129	\$18,483	\$2,485	\$100,581	\$52,052	\$294,499
2017	\$65,046	\$46,260	\$16,025	\$19,529	\$2,818	\$105,385	\$54,371	\$309,434
2018	\$68,389	\$48,708	\$16,962	\$20,621	\$3,167	\$110,419	\$56,793	\$325,059
2019	\$71,880	\$51,273	\$17,940	\$21,763	\$3,530	\$115,693	\$59,322	\$341,401
2020	\$75,528	\$53,961	\$18,962	\$22,955	\$3,910	\$121,219	\$61,964	\$358,499
2021	\$79,337	\$56,778	\$20,029	\$24,200	\$4,307	\$127,010	\$64,724	\$376,385
2022	\$83,316	\$59,729	\$21,144	\$25,501	\$4,722	\$133,076	\$67,607	\$395,095
2023	\$87,473	\$62,820	\$22,308	\$26,859	\$5,155	\$139,433	\$70,619	\$414,667
2024	\$91,815	\$66,060	\$23,525	\$28,278	\$5,607	\$146,093	\$73,764	\$435,142
2025	\$96,350	\$69,454	\$24,795	\$29,760	\$6,080	\$153,071	\$77,050	\$456,560
2026	\$101,086	\$73,011	\$26,122	\$31,309	\$6,573	\$160,383	\$80,482	\$478,966
2027	\$106,034	\$76,737	\$27,509	\$32,926	\$7,089	\$168,044	\$84,066	\$502,405
2028	\$111,202	\$80,641	\$28,957	\$34,615	\$7,627	\$176,070	\$87,811	\$526,923
Total	\$1,453,382	\$1,039,747	\$363,220	\$440,410	\$72,252	\$2,343,218	\$1,203,263	\$6,915,492

Profits on Revenues:

Year	City & Fallon Hotels	City Hotel Restaur.	What Cheer Saloon	Ice Cream Parlor	Fallon Theatre	Columbia House Rest.	J. Douglass Saloon	Total
2009	14.53%	8.22%	6.41%	8.57%	6.17%	26.99%	16.23%	14.19%
2010	14.67%	8.28%	6.55%	8.72%	8.71%	26.99%	14.23%	13.91%
2011	14.81%	8.34%	6.68%	8.86%	11.15%	26.99%	14.23%	13.99%
2012	14.94%	8.40%	6.81%	9.00%	13.48%	26.99%	14.23%	14.07%
2013	15.07%	8.45%	6.93%	9.13%	15.71%	26.99%	14.23%	14.14%
2014	15.19%	8.50%	7.05%	9.25%	17.84%	26.99%	14.23%	14.21%
2015	15.30%	8.55%	7.16%	9.37%	19.89%	26.99%	14.23%	14.28%
2016	15.42%	8.60%	7.27%	9.49%	21.84%	26.99%	14.23%	14.34%
2017	15.52%	8.64%	7.37%	9.60%	23.71%	26.99%	14.23%	14.41%
2018	15.62%	8.68%	7.47%	9.70%	25.52%	26.99%	14.23%	14.47%
2019	15.72%	8.72%	7.56%	9.80%	27.23%	26.99%	14.23%	14.52%
2020	15.81%	8.76%	7.65%	9.90%	28.87%	26.99%	14.23%	14.58%
2021	15.90%	8.80%	7.74%	9.99%	30.45%	26.99%	14.23%	14.63%
2022	15.99%	8.84%	7.82%	10.08%	31.96%	26.99%	14.23%	14.68%
2023	16.07%	8.87%	7.90%	10.16%	33.40%	26.99%	14.23%	14.73%
2024	16.15%	8.90%	7.98%	10.24%	34.78%	26.99%	14.23%	14.77%
2025	16.22%	8.93%	8.05%	10.32%	36.11%	26.99%	14.23%	14.81%
2026	16.30%	8.96%	8.12%	10.39%	37.37%	26.99%	14.23%	14.86%
2027	16.37%	8.99%	8.18%	10.46%	38.59%	26.99%	14.23%	14.90%
2028	16.43%	9.02%	8.25%	10.53%	39.74%	26.99%	14.23%	14.93%
Total	15.74%	8.74%	7.58%	9.82%	27.60%	26.99%	14.29%	14.56%

- Based on current trends in visitations, the costs of operations for all retail business units other than lodging and food and beverage, the commitments for annual marketing, and the current rent and maintenance agreements with the State, it would be best for some/all of the retail (i.e., Newby's, Justice Court, Butcher Shop) business units to be combined so that the combined total annual revenues could reach at least \$750,000. This would allow combined estimated annual profits to be in excess of \$70,000 annually, and thereby help provide a return to the concessionaire and pay (or assist in paying) for the needed capital improvements. An example of combinations is shown below:

Revenues:

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2009	\$533,668	\$53,154	\$147,530	\$147,711	\$882,063
2010	\$557,439	\$58,276	\$152,841	\$151,403	\$919,959
2011	\$582,268	\$63,892	\$158,343	\$155,189	\$959,692
2012	\$608,203	\$70,048	\$164,044	\$159,068	\$1,001,363
2013	\$635,293	\$76,798	\$169,949	\$163,045	\$1,045,085
2014	\$663,590	\$84,198	\$176,068	\$167,121	\$1,090,977

2015	\$693,147	\$92,312	\$182,406	\$171,299	\$1,139,164
2016	\$724,021	\$101,207	\$188,973	\$175,581	\$1,189,782
2017	\$756,270	\$110,959	\$195,776	\$179,971	\$1,242,976
2018	\$789,955	\$121,651	\$202,824	\$184,470	\$1,298,900
2019	\$825,141	\$133,374	\$210,125	\$189,082	\$1,357,722
2020	\$861,893	\$146,226	\$217,690	\$193,809	\$1,419,618
2021	\$900,283	\$160,316	\$225,526	\$198,655	\$1,484,780
2022	\$940,383	\$175,764	\$233,646	\$203,620	\$1,553,413
2023	\$982,269	\$192,701	\$242,057	\$208,711	\$1,625,738
2024	\$1,026,021	\$211,270	\$250,771	\$213,929	\$1,701,991
2025	\$1,071,721	\$231,628	\$259,799	\$219,277	\$1,782,425
2026	\$1,119,457	\$253,948	\$269,151	\$224,759	\$1,867,315
2027	\$1,169,319	\$278,418	\$278,841	\$230,378	\$1,956,956
2028	\$1,221,402	\$305,247	\$288,879	\$236,138	\$2,051,666
Total	\$16,661,743	\$2,921,387	\$4,215,239	\$3,773,216	\$27,571,585

Profits:

	Columbia	Newby's	Justice:	Butcher:	
Year	Mercantile	Barber	Gift Shop	Jewelry	Total
2009	\$35,306	\$22,442	\$5,433	\$8,256	\$71,437
2010	\$36,878	\$24,605	\$5,629	\$8,462	\$75,574
2011	\$38,521	\$26,975	\$5,832	\$8,674	\$80,002
2012	\$40,237	\$29,575	\$6,042	\$8,891	\$84,745
2013	\$42,029	\$32,425	\$6,259	\$9,113	\$89,826
2014	\$43,901	\$35,549	\$6,485	\$9,341	\$95,276
2015	\$45,856	\$38,975	\$6,718	\$9,574	\$101,123
2016	\$47,899	\$42,730	\$6,960	\$9,814	\$107,403
2017	\$50,032	\$46,848	\$7,210	\$10,059	\$114,149
2018	\$52,261	\$51,362	\$7,470	\$10,310	\$121,403
2019	\$54,589	\$56,311	\$7,739	\$10,568	\$129,207
2020	\$57,020	\$61,737	\$8,017	\$10,832	\$137,606
2021	\$59,560	\$67,686	\$8,306	\$11,103	\$146,655
2022	\$62,213	\$74,209	\$8,605	\$11,381	\$156,408
2023	\$64,984	\$81,359	\$8,914	\$11,665	\$166,922
2024	\$67,878	\$89,199	\$9,236	\$11,956	\$178,269
2025	\$70,902	\$97,795	\$9,568	\$12,256	\$190,521
2026	\$74,060	\$107,218	\$9,913	\$12,562	\$203,753
2027	\$77,358	\$117,550	\$10,269	\$12,876	\$218,053
2028	\$80,804	\$128,877	\$10,639	\$13,198	\$233,518
Total	\$1,102,288	\$1,233,427	\$155,244	\$210,891	\$2,701,850

Profits on Revenues

Year	Columbia Mercantile	Newby's Barber	Justice: Gift Shop	Butcher: Jewelry	Total
2009	6.62%	42.22%	3.68%	5.59%	8.10%
2010	6.62%	42.22%	3.68%	5.59%	8.21%
2011	6.62%	42.22%	3.68%	5.59%	8.34%
2012	6.62%	42.22%	3.68%	5.59%	8.46%
2013	6.62%	42.22%	3.68%	5.59%	8.60%
2014	6.62%	42.22%	3.68%	5.59%	8.73%
2015	6.62%	42.22%	3.68%	5.59%	8.88%
2016	6.62%	42.22%	3.68%	5.59%	9.03%
2017	6.62%	42.22%	3.68%	5.59%	9.18%
2018	6.62%	42.22%	3.68%	5.59%	9.35%
2019	6.62%	42.22%	3.68%	5.59%	9.52%
2020	6.62%	42.22%	3.68%	5.59%	9.69%
2021	6.62%	42.22%	3.68%	5.59%	9.88%
2022	6.62%	42.22%	3.68%	5.59%	10.07%
2023	6.62%	42.22%	3.68%	5.59%	10.27%
2024	6.62%	42.22%	3.68%	5.59%	10.47%
2025	6.62%	42.22%	3.68%	5.59%	10.69%
2026	6.62%	42.22%	3.68%	5.59%	10.91%
2027	6.62%	42.22%	3.68%	5.59%	11.14%
2028	6.62%	42.22%	3.68%	5.59%	11.38%
Total	6.62%	42.22%	3.68%	5.59%	9.80%

- Package some of the amenities offered to visitors. If some of the business units are consolidated, more attractive packages might be developed to make the Park a destination property for overnight use. Room-dinner-show packages could have more appeal to both locals who want to celebrate a special occasion and to visitors who travel further distances to the Park. All of this could serve to increase the number of visitors to the Park.
- If the costs of making the cottages usable can be made more manageable, they could be a significant addition to the City Hotel and Fallon Hotel. This would offer potential guests special “suites” or make units available for families that cannot easily be accommodated at the current time. With a central reservation system, the fixed costs of operating the cottages would be relatively low.

APPENDIX A: RESUME OF DENNIS H. TOOTELIAN, Ph.D.

EDUCATION

Ph.D. Arizona State University, January 1973
Major Field: Marketing
Minor Fields: Management and Managerial Accounting

M.B.A. California State University, Sacramento, 1969
Major: Marketing

B.S. California State University, Sacramento, 1968
Major: Marketing
Minor: Economics

MEMBERSHIPS

Member, Advisory Board to the California Senate Select Committee on Small Business Enterprises, 1986.

Chairman of the Advisory Board to the California Senate Select Committee on Small Business Enterprises, 1979.

Member of the Executive Committee, California Chamber of Commerce Committee on Small Business, 1977-1979.

Member, Mayor's Small Business Advisory Committee, Sacramento, California, 1990-1993.

Member, Mayor's Women and Minority Business Enterprise Task Force, Sacramento California, 1989-1993.

Chairman, Board of Directors, Methodist Hospital of Sacramento, 1994-1997.

Member, Board of Directors, Mercy Healthcare Sacramento, 1994-2000.

Member, California Healthcare Association's Governance Forum, 1999-2001.

Board of Trustees, Valley Health Care Corporation, Sacramento, California, 1986-1993.

Board of Directors, Krelitz Industries, Inc., Minneapolis, Minnesota, 1988-1993.

Board of Directors, Physician's Clinical Lab, Incorporated, Sacramento, California, 1994-1996.

Member, Board of Directors, SEM REsource Capital.

President, American Marketing Association (Sacramento Valley Chapter), 1978-1979.

Member, Editorial Advisory Committee, *Journal of Hospital Marketing*.

Member, Editorial Advisory Committee, *Journal of Professional Services Marketing*.

Member, Editorial Review Board, *Journal of Small Business Management*.

Member, Editorial Review Board, *Journal of Customer Services in Marketing and Management*.

HONORS

Phi Kappa Phi (National Honor Society), initiated 1968.

Beta Gamma Sigma (National Business Honor Society), initiated 1968.

Delta Sigma Pi "Scholarship Key" (graduated top of the 1968 class in Business Administration), 1968.

Associated Students of California State University, Sacramento Outstanding Student Award, in 1969.

Sigma Iota Epsilon (Scholastic Honor Society in Management), initiated 1971.

Delta Sigma Pi, initiated Spring 1973.

Outstanding Alumnus, School of Business and Public Administration, California State University, Sacramento, 1984.

Distinguished Faculty Award, California State University, Sacramento, 1993.

Order of the Hornet, California State University, Sacramento, 1993.

OCCUPATIONAL EXPERIENCE

September 1978 to Present--Professor of Marketing, California State University, Sacramento

Primary Teaching Areas

Marketing Management	Business Policy
Research Methodology	Small Business Management
Marketing Principles	

June 1975 to Present--Director, Center for Small Business, California State University, Sacramento

September 1992 to 1996--Director, Center for Management Services, Sacramento State University, Sacramento

September 1975 to August 1978--Associate Professor of Marketing, California State University, Sacramento

February 1973 to August 1975--Assistant Professor of Marketing, California State University, Sacramento

September 1970 to January 1973--Teaching Assistant, Principles of Marketing, Arizona State University

September 1969 to June 1970--Research Assistant to the Director of Graduate Studies in Business, University of Iowa

June 1969 to September 1969--Researcher, Research and Statistics Division, California Department of Corrections

September 1968 to June 1969--Research Assistant, California State University, Sacramento

TEXTBOOKS

Cases and Classics in Marketing Management. Coauthor: Ralph M. Gaedeke, Harcourt Brace and Jovanovich. Publication date: February 1986.

Essentials of Pharmacy Management. Coauthor: Ralph M. Gaedeke, Mosby-Yearbook Inc. Publication date: January 1993.

Marketing Management, Readings and Cases. Coauthors: Ralph R. Gaedeke, Leete A. Thompson. Scott, Foresman, & Company. Publication date: January 1980.

Marketing Principles and Applications. Coauthor: Ralph M. Gaedeke. West Publishing Company. Publication date: February 1983.

Small Business Management. Coauthor: Ralph M. Gaedeke. Scott, Foresman, & Company. Publication dates: January 1980 (1st edition), January 1985 (2nd edition), January 1991 (3rd edition, Allyn & Bacon).

Small Business Management--Operations and Profiles. Coauthors: Ralph M. Gaedeke, Bank of America. Scott, Foresman & Company. Publication dates: February 1978 (1st edition); January 1985 (2nd edition).

MONOGRAPHS

Pharmacy Management in a Hospital Setting, Mosby-Yearbook, Inc., 1995. A series of three monographs:

Planning For a Changing Role in Healthcare Delivery, Mosby-Yearbook, Inc., 1995.

The Future Role of Pharmacy, Mosby-Yearbook, Inc., 1995.

The Pharmacy Management Process in Hospital Settings, Mosby-Yearbook, Inc. 1995.

PUBLICATIONS

A Basic Guide to Pharmacy Leases, California Pharmacists Association, 1982.

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"Alternative Medicine Among College Students," **Journal of Hospital Marketing,** Vol. 13, No 1, 1998. Coauthors: Ralph M. Gaedeke, Cynthia Holst.

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"An Annual Survey Can Help Retain Your Current Customers," **The Business Journal,** November 12, 1990, p. 16. Coauthor: Ralph M. Gaedeke.

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"Business Students' Perceptions of Ethics in Marketing," Journal of Education for Business, July/August 1992. Coauthors: Ralph M. Gaedeke and Craig A. Kelley.

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APPENDIX B: TABLES